
CHAD: EVALUATION OF THE VITA PRIVATE ENTERPRISE PROJECT - PHASE II

FINAL REPORT

*Bureau for Private Enterprise
U.S. Agency for International Development*

Prepared for: USAID/Chad

*Prepared by: George Butler
 Consultant to Ernst & Young
 1010 North Glebe Road
 Arlington, VA 22201
 and
 Irving Rosenthal
 Consultant to VITA
 1815 North Lynn Street
 Arlington, VA 22209*

*Sponsored by: Private Enterprise Development Support Project II
 Project Number 940-2028.03
 Prime Contractor: Ernst & Young*

March 1990

Ernst & Young

TABLE OF CONTENTS

Preface	1
A. Summary of Issues, Findings and Recommendations	2
1. Issues	
2. Findings	
3. Recommendations	
B. Background and Setting	8
1. The Chadian Socio-Economic Environment	
2. USAID Development Strategy	
3. Background to the VITA/PEP Project	
4. Impact of External Factors	
C. Project Performance: Meeting Goals Purposes, and Objectives	15
1. Getting Loans Out	
2. Project Costs	
3. Target Beneficiary Coverage	
D. Financial Analysis	18
1. Financial Overview	
2. Status of VITA/PEP Loan Portfolio	
3. Loan Portfolio Accounting	
4. Loan Portfolio Performance	
5. Recommended VITA/PEP Accounts	
E. Appropriateness of Target Clients.	26
F. Economic Impact of the Project	29
G. Status and Prospects for Institutionalization	33
1. Understanding to Date	
2. Institutionalization Under Phase I	
3. Institutionalization Under Phase II	
4. VITA's Institutionalization Plan	
5. USAID's Response to VITA's Institutionalization Plan	
6. Analysis of Present Situation	
7. Recommendations by Evaluation Team	
H. Recommendations on Future Funding	41
1. Overall Future Approach	
2. Relationship to other PVOs	
3. Assistance to the Agriculture Sector	
4. Size of Loans and Cost Minimization	
5. Clarifying Cost Distribution	
6. Revolving Loan Fund	
7. Local Operating Costs	
8. Technical Assistance	
9. Summary of New Funding Requirement	

LIST OF ANNEXES

1. VITA/PEP Loan Portfolio and Lending Cost Analysis
2. Methode de Calcul des Interets
3. Scope of Work
4. Work Plan
5. Contacts and Interviews
6. Relevant Remarks Excerpted from Interviews
7. Bibliography

PREFACE

This final evaluation of Phase II of the VITA sponsored, USAID funded, Bureau for Private Enterprise Project for Chad was carried out in Chad during the period February 15 to March 21, 1990 by two private consultants, George Butler and Irving Rosenthal; it was performed under the Private Enterprise Development Support Project.

VITA's Phase I Project covered the period July 1984 to February 1987; Phase II went to February 23, 1989 and then extended to June 30, 1990. While the Scope of Work was to evaluate the Phase II project, the team took into account planning and loan activities under Phase I plus Phase II through December 30, 1989. The team was asked to recommend whether USAID should fund a Phase III project. The evaluation team reviewed documentation including audits, evaluations, and USAID, World Bank, and GOC economic material, to understand the socio-economic-context of the project. See Scope of Work, Annex 3, and the Bibliography, Annex 7.

This was an open evaluation. Senior USAID and VITA management in the United States and in Chad wanted an independent, professional consideration of issues. All needed assistance was provided. The Ambassador Julius Walker of the United States received the team, gave useful suggestions, and set up an appointment with a senior Chadian. Chadians at every level - from farmers and small business clients to the managing directors of a major commercial bank and a large parastatal - spoke openly about their views. VITA's local staff proved to be hard working and serious people who believed strongly in VITA's mission. They shared opinions with the evaluation team in a non-evasive manner. See the evaluation team's Workplan, Annex 4, and the List of Contacts and Interviews, Annex 5. Special appreciation is hereby extended to Robert Reitemeier, the present Director of VITA/PEP, a dedicated, hardworking, involved, development professional whose contributions to Chadian development are secure.

The evaluation team has drawn liberally from the noted material and individual contacts. The final draft was discussed with USAID and VITA in N'Djamena to make sure facts were correct. Only in rare cases were direct quotes used or references indicated. The evaluation team members did not know one another before the evaluation. The findings, conclusions, views and recommendations in this evaluation are now the agreed opinion of both team members.

George Butler
Irving Rosenthal
N'Djamena, Chad
March 21, 1990

A. SUMMARY OF ISSUES, FINDINGS AND RECOMMENDATIONS

1. Issues

Key evaluation issues included in the Scope of Work were:

- ♦ Can the institution created by VITA to deliver credit and appropriate technical training to urban and rural businesses, including group economic activities, become a sufficiently viable institution to be Chadianized?
- ♦ Can it be sustainable over the period that its development contribution will continue to be needed?
- ♦ When and how should Chadianization be accomplished in order to assure that the institution created continues to be a vital private sector promotion agent, while at the same time becoming increasingly self-sufficient?
- ♦ Can the credit and services VITA provides be spun off to other private sector entities such as banks, locally managed credit unions, training institutions, and/or quasi-government associations such as the Chamber of Commerce, or a possibly restructured national development bank?
- ♦ What are the private enterprise sub-sectors in which maximum beneficial impact can be achieved efficiently?

2. Findings

The final evaluation of the second phase of the VITA Small Enterprise Promotion Project, henceforth referred to as VITA/PEP Phase II, found that the project:

- ♦ Fulfills a vital role in rebuilding the country's economy which was devastated by the war with Libya and internal strife;
- ♦ Is an appropriate complement to USAID/Chad's overall development strategy that fosters a wide distribution of economic benefits to low income and rural populations in Chad;
- ♦ Has created a new financial institution with a revolving loan fund, a trained Chadian staff, an internal structure, and operating procedures to process, approve and monitor loans, and a framework to provide business and advisory services to clients;

- ♦ Vis a vis similar small enterprise credit projects in Africa, the evaluators consider the VITA/PEP project in Chad to be among the best managed and most successful, especially in terms of its high percentage of on-time loan repayment collection (80%) and its low estimated percentage of unrecoverable loan principle (6%);
- ♦ Has expanded the limited number of small private enterprises in Chad, including some in the agriculture sector;
- ♦ Has improved the quality of life for low-income people affected by project activities in the targeted geographic areas served;
- ♦ Has increased the number and capability of private sector activities principally in the urban area of N'Djamena, in the rural area 60 km. around N'Djamena, and for a limited number of small scale agricultural activities around the city of Bongor;
- ♦ Has provided management and technical assistance in business planning and agricultural technology which resulted in increased self-sufficiency of client entrepreneurs;
- ♦ Has avoided becoming involved in business brokering and has not been very active in providing market information to customers;
- ♦ Has not yet selected a turnover mechanism or expanded beyond its own operations to help incorporate credit programs into other parts of the Chadian financial system;
- ♦ Has not yet reached agreement with donors on a plan and timetable for institutionalizing the project, complete with details, budget, and strategy for dealing with anticipated constraints;
- ♦ Has acquired an excellent reputation among donors, beneficiaries, the Government of Chad, the banking and business community, and the development community;
- ♦ Has achieved approximately 50% of the Phase II goal, based on a comparison of actual to projected quantitative outputs.

3. Recommendations

The following recommendations are not criticisms of USAID, VITA/Virginia, or VITA/N'Djamena. The rationale for the recommendations arises from the unique success of this experiment, to date. The evaluators have confidence that the

track record of impact indicates potential for greater learning and success in the future.

For USAID

The evaluation team recommends that USAID/N'Djamena should:

- ♦ Continue financial support to the project for another three year period (Phase III), aware of the possibility that even a fourth phase may be required to achieve the goal of creating a sustainable, Chadian, financial institution;
- ♦ Provide funds for adequate technical assistance to the project during the transitional Phase III period, and continue financial contributions until there is sufficient local support to supplement project generated income;
- ♦ Give intensive management support and attention to monitoring the project during the Chadianization phase, in order to participate in early identification of potential problems and in the selection of corrective measures or alternative strategies;
- ♦ Encourage participation by other donors and coordination of VITA/PEP with other PVO and complimentary development projects;
- ♦ Protect VITA/PEP from efforts to engage its services in lending activities, such as crop financing or other undertakings, where it lacks expertise and might overtax its human or financial resources;
- ♦ Consider the possibility of eliminating certain constraints on the project resulting from it being part of a PVO umbrella project. Instead it might be better served as a separate small enterprise project, encompassing the anticipated Phase III and IV timeframe;
- ♦ Recognize the important but limited size of the market for credit and provide funds enabling VITA/PEP to grow and then stabilize at about 50 - 60 new loans per year with a total value of \$450,000 - \$500,000;
- ♦ Consider providing new AID funds to VITA/PEP over the next 3 years in the range of \$2,042,000 - \$2,312,000, in order to achieve the above recommendations.

For VITA

- ◆ Improve management and information systems. In order to improve the valuable contribution to private sector growth, and to expand outreach to new clients after a well managed period of experimentation and learning, VITA needs to improve its management and information systems, its credit administration techniques, organizational efficiency and staff capacity to deliver loans, technical assistance and advisory services to clients. Some of the systems that need further development include:
 - an interest computation technique which is automated and results in real interest revenues being received from clients on all outstanding principal and a clear separation of interest collected from principal recovered;
 - a loan portfolio analysis and management system which gives the VITA Credit Division up-to-date information on arrears, the aging of arrears, and on problem loans, with a minimum of manual data gathering and input. The system should be designed to provide credit management with analytical data such as:
 - * relative performance of loans by size;
 - * repayment experience by client sub-sector; and
 - * comparative collection problems by length of loan term.
 - a credit management system which includes target new loan projections and loan follow-up performance for each credit agent. Credit agents can then measure output against a standard, and VITA management can set achievable loan production targets and thereby forecast financial results more accurately.
- ◆ Provide the technical credit and computer consultants suggested in VITA's Phase III Concept Paper without delay after Phase III agreement is reached. The consultants should develop and put the automated accounting and loan interest computation systems into place. The consultants should assure that:
 - interest collected is credited to a VITA/PEP operating revenue account, and not left in the revolving loan fund;
 - service fees collected from clients are also credited to an operating revenue account.

- ♦ Institutionalize VITA/PEP during Phase III. Major steps to take include:
 - begin to recruit of a Chadian who will take over as Director of the project. The Chadian initially would be the Deputy. He would take over as Director after working under an expatriate director for approximately one year. The Chadian Director should be an employee of VITA/Virginia. VITA/Virginia should play an active role in the selection of the Chadian Director and in that individuals training and development. VITA/Virginia should develop new, effective systems to support and monitor the work of the project during and after Chadianization;
 - create an Advisory Board of interested Chadian private sector entrepreneurs, bankers, even members (but not representatives) of parastatal and government to advise the Director on policy, and criteria for VITA/PEP loan activities. The Advisory Board should be established with the concurrence of the donors to Phase III and VITA/Virginia. The function of the Advisory Board will be to improve communications with the Government of Chad and the formal private sector, to become spokesmen and advocates for private sector activities in the country, and to help determine how best to reach informal and micro-level entrepreneurs;
 - recruit a senior advisor to the Chadian Director by VITA/Virginia. He should have experience in small and micro enterprise credit and, if possible, experience with "hard" production technologies. It should be made clear by a well defined position description that he is a technical advisor and not the Deputy Director.
 - during the transition, VITA/Virginia should liaise closely with AID/Washington, AID/N'Djamena, World Bank, UNDP, the Government of Chad, and other organizations, and assume major responsibility for successful transition to a Chadian institution.

Take other actions to improve internal operations by:

- ♦ Recruiting a full time training officer for two years to develop training materials, and to give training programs to VITA/PEP staff, to loan clients, and to work with the Advisory Board in developing a public awareness and information program;
- ♦ Designing and implementing an aggressive program to reach additional small and medium sized clients, and also clients for the newly proposed micro-enterprise loan program. This

program should include:

- * more training for VITA/PEP professional staff;
 - * reallocation of credit officer time to provide for a greater loan marketing effort;
 - * continuation of a radio, TV, newspaper, and general public relations campaign;
 - * increasing the involvement of other local organizations such as banks, the Chamber of Commerce, Patronate, etc.
- ♦ Improving the capability of VITA/PEP to provide guidance to clients on hard, production technology by:
- * locating and arranging access to local technical resources;
 - * providing short term technical consultancies;
 - * providing more information from the VITA/Virginia technical library and information system;
 - * increasing the use of VITA technical volunteers.
- ♦ Carrying out an economic sub-sector assessment. In order to assure that VITA/PEP loans go to sub-sectors most likely to benefit and promote development, there is need for a sub-sector assessment to identify and quantify:
- * the market for credit, by sub-sector, including the informal and formal sectors;
 - * the opportunity to standardize loan and technical assistance packages, including equipment, and operating capital;
 - * other sub-sector approaches that can increase the number of loans while reducing activity costs per loan;
 - * potential contribution of specific sub-sectors to community economic growth, production and manufacturing rather than trade, and the economic position of women;
- ♦ Continuing the policy of a strict approach to loan repayment, including, as now, taking to the local court system those who can repay their loan, but who make no effort to do so.

B. BACKGROUND and SETTING

1. The Chadian Socio-Economic Environment

At the time of its independence in 1960, Chad was poorly prepared to initiate economic development. Its road network was underdeveloped, education and health were at low levels, and its citizens did not have experience in managing economic development. During the 18-20 year period following independence, Chad experienced economic growth, largely as a result of incentives for its main export crop, cotton, which in most years generated two-thirds of export earnings and was an important source of government revenues. Favorable weather conditions sustained adequate levels of food production. Aggregate production reached peak levels in 1978, raising GDP per capita to \$157.

Civil strife from 1971 to 1982 turned Chad from an underdeveloped country into an economic disaster. One phase of willful, organized violence ended with a military coup d'etat in 1975; unrest escalated again in 1980-1982 when the then President Goukouni, with Libyan support, vied with Defense Minister Habre, for control of the country. Habre established the current government in June 1982. Goukouni and Libyan forces fought a war of attrition which evoked heavy inter-tribal fighting in the North of the country, particularly in 1986-87.

If the central government in N'Djamena loses its image as the basis of stability and the source of economic development, two opposite forces may develop as regards to the economy in general and the VITA project, in particular. On the one hand, people may again withdraw from the economic scene and the situation will stagnate. On the other hand, individual and private initiative may become more important as the "engine of development" and the VITA/PEP project could be at the center of these events.

A drastic economic downturn began in 1978 and has lasted to the present, as the country has struggled through a series of external and natural resource disasters. These have included the collapse of the world cotton market, severe drought, and the previously mentioned unrest. The 1979-82 war destroyed most of the country's physical and administrative infrastructure and reduced its economic activity, while the prolonged drought decimated livestock, reduced food production by half, and displaced a large portion of the population. Chad now ranks as one of the world's poorest countries, with an estimated per capita income of less than \$125.

Nevertheless, Chad does have developmental potential. In the 1950s its economy expanded at an annual rate of two percent. During the 1960s and 1970s Chad was generally self-sufficient in

food production. With economic and social recovery the country's paramount need, in 1986 the government took the first steps toward rebuilding the devastated physical infrastructure and restoring the economy's productive capacity. Measures to stimulate domestic production have included diversification of agriculture to meet domestic and export demand; promotion of the development of human resources; and meeting the basic needs of the population. This development strategy geared to reconstruction and stimulation of domestic production was supplemented by measures to improve resource allocation in the economy.

During 1988 and 1989, peace and rain brought a renewal to economic stability and laid the basis for future growth and development. However, analyses by the World Bank and other public and private aid organizations indicate that the Chadian economy will continue to need assistance to stimulate demand in order to encourage domestic production and greater utilization of domestic potential.

2. USAID Development Strategy

USAID evacuated N'Djamena just before intense fighting began in 1979. It returned after President Habre established a new government and internal strife greatly decreased. U.S. assistance to Chad from 1982 to 1985 was heavily weighted towards emergency relief and rehabilitation to deal with the effects of the drought and the collapse of public infrastructure caused by the war. Early development programs were primarily implemented by PVOs independently of the government. U.S. funding for development programs rose steadily from 1986 to 1989. Emergency food aid dropped as rainfall improved and normalcy returned. USAID development funds were programmed initially into the agriculture and transportation sectors and more recently into the health sector.

The GOC has controlled its annual budget deficit through severe restriction of expenditures, and some generation of additional revenues through improvements in the fiscal system and tax administration. The central government does not subsidize the parastatal sector. There is little or no room left in the central budget for further reductions, and revenues are already insufficient even to cover recurrent expenditures. If the private sector is to be encouraged, therefore, external donor assistance must be provided.

USAID's "Program Rationale for Chad, FY 1989 to 1994", noted that the small size of government operations is a consequence of limited human and financial resources. This is reflected in the current government's preference for a privately oriented economy, with the public sector complementing rather than competing or

substituting for, private sector activity. USAID's Program Rationale observed that military activities of the past 20 years have also destroyed the government's capacity to monitor private sector activities and have discouraged private sector investment in all but necessities. As a result of the government's inability to monitor and license the business sector, much of these activities has shifted to the informal sector, is unrecorded, and does not yield tax revenues for the government. While the number of formal sector enterprises may have decreased in comparison to the situation in the 1970s, indications are that Chadians now own a larger share of total economic activities than expatriates.

The problem now is to address the challenge of promoting sustained economic growth. USAID refers to a World Bank analysis which indicates that the Chadians have an abundance of ideas, as well as the will to succeed, but lack the technical skills or capital necessary to turn these ideas into reality. The donor community is, and should be, responding to these identified needs with technical assistance and funding, which will, in turn, generate the desired growth in the economy.

The Mission indicates it will continue support for projects and programs that are growth-promoting as opposed to emergency relief and rehabilitation. USAID "will provide assistance to develop marketing cooperatives, provide credit and training, assist private businessmen and support technology transfer to small farmers." On the agriculture side, much of USAID's assistance will be provided through PVOs, all of whom, including VITA, are presently funded under USAID/N'Djamena's umbrella PVO Development Support Project.

A recent evaluation of the umbrella PVO project reported that implementation is essentially on track and that the desired development impact is being achieved. The Mission believes that the same set of assumptions that initially led to the selection of the PVO mode of assistance remains valid. In 1990 the USAID plans to add \$2 million to continue this project. Some bridge funding, at least, for the continuation of the VITA/PEP project will have to come from this amount. For FY 1991 and beyond, this evaluation suggests that USAID consider initiating a new project for Phases III and IV of this enterprise development project.

3. Background to the VITA/PEP Project

In June 1985, USAID/N'Djamena approved the PVO Development Support Project to assist small farmers and to support private sector activities to contribute to the welfare of Chadians who were hitherto subject to famine and displacement; the project demonstrated approaches to developing small farmer and private food production systems that could be adopted by successive long

term projects. In response, VITA made a proposal for a private enterprise credit project, which was approved by USAID. The project is still functioning today and is the subject of the present evaluation.

The original project, which was funded under a project before the PVO Development Initiates Project, was to play an important role in Chad's economy by building up the private sector. This would, in turn, generate increased employment and production of vital goods and services. The original proposal suggested there was need for credit to assist small entrepreneurs in such areas as:

- fabricating agricultural tools and equipment
- poultry raising for eggs and meat
- production of low cost furniture
- improved kilns for brick making
- small motor driven mills for processing peanuts
- fabrication and sale of ready-to-wear clothes
- a small foundry to cast simple metal items

In N'Djamena fast action was needed so that returned refugees could see immediate results of their own and government efforts to increase production and reestablish employment opportunities. The re-launching of previously operating small enterprises and the expansion of new small businesses was expected to take place more readily than for larger industries, which require more capital; time consuming and more complicated financial arrangements; more extensive imports of equipment and material; and more elaborate facilities, staffing, and training. It was hoped that helping many small entrepreneurs would provide a psychological boost to the business climate in the country. VITA established the following points to be examined in selecting the entrepreneurs to be helped by the project:

- potential for employment generation
- meeting consumer and production needs
- care and speed of implementation
- size of loan required
- broadening of the entrepreneurial base
- economic impact per dollar of USAID assistance
- increase in productivity
- improvement in the quality of goods and services
- generating foreign exchange earnings, or savings

VITA's proposal had a very detailed approach to enterprise development and a carefully thought out philosophy for establishing the revolving loan fund. A step-by-step loan management process was included in the proposal. The project was designed to provide loans, technical, and managerial assistance to businesses. It was staffed by two expatriates and eight Chadian professionals.

When the first phase of the project ended with a favorable evaluation USAID decided to fund a second phase, as part of the PVO umbrella project. In September 1986 VITA submitted a proposal to continue the project to distribute supervised credit for two additional years. The concept and detailed guidance included in the first phase, hereafter called VITA/PEP I, was continued into VITA/PEP II with the following changes:

- ♦ Project goals were added to:
 - * to institutionalize VITA/PEP into the Chadian financial system;
 - * to achieve administrative turnover by the end of the project;
 - * to implement a cost minimization effort.
- ♦ Loans to the agriculture sector were reconfirmed by reference to:
 - * development of food production;
 - * truck farming;
 - * a joint program with FAO in Bongor;
 - * increased technical assistance to agriculture.
- ♦ The issue was raised of the potential conflict between project goals to achieve development and project goals to achieve sustainability for the VITA/PEP institution. Development factors that would impede full recovery of project costs, for example, included:
 - * increased emphasis on small enterprises that are labor intensive and therefore, costly to service;
 - * Chad's unreliable marketing channels, which create a very risky business climate;
 - * agriculture's tremendous seasonal risks.

Because the umbrella project had an agricultural focus, VITA/PEP II took on the additional objective of stimulating local food production. An agricultural technical support unit was created, staffed by an expatriate and two locally recruited agronomists; additional loan funds were provided through local currency funds. The project began extending small loans to farmers in the region of Bongor where the FAO and other donors had built irrigated rice perimeters. Credit was provided for the purchase of ploughs, carts, and traction animals. Unfortunately, these loans were ill-fated. FAO closed its program and VITA/PEP lost direct contact with its clients. The farmers stopped repaying.

VITA/PEP now has a single office in N'Djamena. At the time of the evaluation, it was managed by one expatriate and 16 local staff including an administrator, four loan officers, an

accountant, a loan recovery agent and supporting personnel. Its preferred clients are artisans and farmers. More recently VITA has begun lending to traders. New business start-ups have been funded but VITA prefers to finance entrepreneurs with a previous track record, or the extension of existing business activities. A detailed loan review process is in place. As security, each client must provide a personal guarantor of proven means. In addition, equipment purchased by the project is secured by lien. All such guarantees are legally documented and registered with the government. The details of loan management of the second Phase of VITA/PEP are the subject of this evaluation along with consideration of the question of whether AID should fund a Phase III.

4. Impact of External Factors

The scope of work for this evaluation asked the team to evaluate external factors such as the interest rate ceiling, macroeconomic performance, business climate, etc. that affect project performance. We have met with the Ministry of Plan, Chamber of Commerce, Central and Commercial Banks, and other donors. Standard World Bank economic tables and Ministry of Plan statistics do exist. Parts 1, 2 and 3, above, provide some of this information and our judgments. Section E, following, provides detail on the size of the private sector and the demand for credit. Section F provides information on the economic impact of the project. It is fair to say, however, that the data is very thin. The market that it measures is not well developed, and is just beginning to be surveyed by the statistics bureau in the Ministry of Plan.

Indeed, an understanding of economic growth, market, and private sector development, has yet to be created. One of the proposed goals of Phase III of this project is to establish an advisory council, not only to advise the project on loan policy and portfolio management, but also to develop an information and training program for the general public on what private sector development is, how to create it, and what are the legal and government structures that must be created to establish an environment within which the private sector can function. Such an environment would include improved attitudes toward contracts and support from the judiciary system.

AID has expressed a concern with interest rates. As of this moment, VITA/PEP does not have the authority to charge more than 12% per annum interest. It has no authority to charge service fees. The amounts currently charged will not ever allow VITA/PEP to be financially self-sufficient as a credit institution dedicated to high risk, costly, development loans to small and micro or informal enterprises. However, even if the interest rate ceiling were raised to 14% per annum, external support,

certainly for training and technical assistance, will be needed for some time to come.

We agree that the interest rate should be raised to 14% per annum. To a great extent the higher amount is important simply as a forum to discuss the concept of business profits; to demonstrate the shortsightedness of subsidies; and to show the social cost of decapitalizing financial institutions. It will take a long time for the members of the Chamber of Commerce not to look upon VITA/PEP as a milkcow. However, the discussion between the Government of Chad and the World Bank over the 14% per annum interest rate in the Social Development Action Project (PADS) project might turn out well in the long run, but for the \$10,000-\$15,000 per year it may mean in increased interest revenue to VITA/PEP it may be most useful to establish the principle of market based rates.

The World Bank PADS project, if approved, may help answer a number of AID's macroeconomic questions, since carrying out macroeconomic studies and strengthening the Government's capacity to formulate economic and social policy is part of the project. Some of the following areas of study are proposed:

- * living conditions in the rural areas;
- * living conditions of urban households;
- * household budget structure, public resource allocation and the financing of essential services;
- * promotion of micro-enterprises and employment generation;
- * food security and identification of vulnerable groups.

We do support AID's specific request and VITA's commitment during Phase II for VITA/PEP to do a detailed study on demand for credit by small and micro-enterprises. We also support AID's intent to assure that a small enterprise credit specialist, with loan administration and accounting expertise, is involved in the design of a VITA/PEP Phase III.

C. PROJECT PERFORMANCE IN MEETING GOAL PURPOSE AND OBJECTIVES

1. Getting Loans Out

VITA/PEP has disbursed 47% of the loan funds projected for Phase II. Business loans in N'Djamena and vicinity were 71% of projection. The small loan component aimed at financing traditional rural activities achieved 23% of its projected output. The 14 non-traditional industrial loans anticipated to average \$50,000 per loan and to be made in collaboration with commercial banks did not materialize. However, 4 large loans, averaging \$23,300 per loan, were disbursed to non-traditional industrial-type enterprises.

There was a serious slow-down in lending during Phase II. Very few loans were disbursed during all of 1987 and the first half of 1988, during the first half of Phase II. Evidently the slow down was caused by levies of Defense and Reconstruction Support funds from private citizens and businesses; by a generally reduced level of economic activity; and by entrepreneurs who were reluctant to invest in expansion or to engage in any transaction that might call attention to their financial activities and render them subject to compulsory contribution to the GOC. During this period the project was nearly closed down by USAID/N'Djamena.

In the second half of Phase II, with some pushing from USAID, VITA/PEP started promoting its credit and advisory services more aggressively. In 1989 the situation improved and the project started increasing its rate of lending. During 1989 the rate of loan disbursement climbed from an average of \$ 8,500 per month to \$37,750 per month, which compares favorably with the projected Phase II output of \$46,000 per month.

The following table gives the project's total number of loans, and amounts in U.S. dollars disbursed by project Phase. For Phase II, the table compares actual output to output projected in the Cooperative Agreement.

2. Project Costs

During the two year Phase II period, February 1987 through January 1989, loan volume dipped severely while project Technical Assistance and Local Operating cost increased in real terms and disproportionately in comparison to output.

It appears that a combination of encouragement from USAID, improved political stability and economic climate, plus a positive response from VITA/PEP in the form of a public relations and aggressive credit marketing effort led to an upsurge in lending starting in October, 1988. Another component of VITA/PEP's response was a significant reduction (approx. 35%) in local staff and related local operating cost.

The table below illustrates the gyrations in project costs and output before, and during, Phase II. (See Annex 1)

Project Costs

	Phase I	Phase II	Phase II + Ext
No. Loans Disb. per Month	3.5	1.4	3.8
	(\$000)	(\$000)	(\$000)
Ave. Amt. Disb. per Month	10.3	8.5	28.6
Total Amount Disbursed	310.2	204.2	656.9
Ave. O'seas TA + local oper. cost per Month	33.5	57.0	53.7
	\$	\$	\$
O'seas TA + local oper. cost per dollar loaned	1.98	6.70	2.94
O'seas TA + local oper. cost % of loan volume	198%	670%	294%

3. Target Beneficiary Coverage

At various stages of the VITA/PEP project, the Credit Division has been instructed in project papers and evaluation reports to concentrate on, or extend specific amounts of credit to:

- enterprises being reactivated after war disruption
- new enterprises, mainly in retail trading
- rural agricultural enterprises
- small scale food producers in N'Djamena and within a 60 kilometer radius thereof
- farmers producing for export
- traditional rural agricultural enterprises in Bongor
- non-traditional industrial enterprises via co-financing with commercial banks
- during Phase III, micro-enterprises in the informal sub-sector may be added

VITA/PEP has made loans in all of the above categories with the exception of co-financing with commercial banks. A lending institution with limited funds, personnel, and management capacity, given a wide range of sub-sectors to service, must approach each new sub-sector with a pilot lending attitude. Pilot programs have been designed to develop sub-sector data including loan approval criteria, optimum loan size and term, appropriate grace periods, feasible guarantee requirements, technical assistance needs, and finally, recovery experience. The wide spectrum of target beneficiaries has increased VITA/PEP's loan operation, technical assistance, and management costs while at the same time reducing the rate of lending to that which is consistent with pilot programs. Each new target sub-sector, in addition to data collection, requires credit agent training, and retraining, development and delivery of appropriate technical assistance, and considerable management supervision.

VITA/PEP has done a creditable job of gaining experience, via pilot lending programs, in all of the target sub-sectors assigned to the project. During the 5 year period of shifting and expanding beneficiary emphasis, it is understandable that operational costs have been relatively high in relation to number of loans, and amounts of money, disbursed. Most of the non-recurring training and experimental costs have now been met. Therefore, operating costs can start to decrease. However, the amount of this decrease may be more than offset than the process of changeover to Chadian management.

D. FINANCIAL ANALYSIS

1. Financial Overview

The funds source and utilization figures shown in the following table are not intended to be an audit. The overview shows amounts spent by major category in Phase I and Phase II and for the total project as of December 31, 1989. The table also shows the sources of project funds.

Fund utilization figures indicate that during Phase II it cost, on the average, \$57,000 per month in combined Technical Assistance and operating funds to run the project. Of that, approximately 58.5% is overseas Technical Assistance (i.e. project support) and 41.5% is local operating cost. Local operating cost includes the cost of local VITA/PEP staff development, and of providing training and advice to VITA/PEP clients. That component has been estimated to be 70% of local operating costs.

The evaluators do not consider it important to break down local operating costs between client training and loan administration. In addition to being a very difficult breakdown (i.e. is helping the client prepare an application dossier client training or loan administration, or 50/50?), the two costs should be merged as local operating expenses because lending to the target beneficiaries will require both for the foreseeable future. In recognition of the fact that A.I.D. considers this breakdown important from the funding point of view, in Phase III a separate accounting of training and processing costs might be developed. However, from a project accomplishment point of view, the evaluators believe that these costs are so intertwined that an exercise to separate them should be for funding purposes only.

PROJECT FUNDING

Funds Utilized

(July '84 through Dec. '90)

(\$ 000)

Loan Funds	569.1
Overseas TA (Project Support)	1,724.1
Local Operations	1,223.1
Total	<hr/> 3,516.3

Sources of Funds Utilized

USAID - Loan Fund Grant	569.1
USAID - Operational Financing	2,027.8
RISAX I - PL 480 Funds	195.4
RISAX II - PL 480 Funds	670.7
USA for Africa (Local expenditures)	53.3
Total	<hr/> 3,516.3

Fund Availability

USAID	2,770.0
RISAX I and II	866.1
USA for Africa	124.6
Total Available	<hr/> 3,760.7
Total Utilized	3,516.3
Balance Available for 1990	244.4

2. Status of VITA/PEP Loan Portfolio

VITA/PEP's loan portfolio, as of December 31, 1989, is in better-than-average condition when compared with other small enterprise credit schemes familiar to the evaluation team.

The portfolio status is approximately as follows:

Total outstanding portfolio (loan funds out with clients)	\$1,167,526 (100%)
--	--------------------

Arrears
(Amount which should have been
collected per loan contracts but has
not yet been collected)

Overdue	1	-	30 days	\$	5,515
"	31	-	60 days		6,660
"	61	-	90 "		3,471
"	91	-	180 "		19,852
"	181	-	360 "		36,348
"	more than one year				151,772

Total arrears	-----	223,618 (20%)
---------------	-------	---------------

Arrears undergoing court collection	27,874 (2%)
-------------------------------------	-------------

Estimated amount which will end up being unrecoverable: one half the arrears which are more than one year old	75,886 (6%)
---	-------------

The foregoing analysis of VITA/PEP's loan portfolio suggests that approximately 80% of the borrowers repay on time. This is an unusually high percentage; many similar credit schemes experience only 40% - 50% on time repayment.

The analysis of arrears, by age, indicates a negative trend: 84% of the borrowers whose payments are in arrears, have been in arrears more than 6 months. Thus it appears that the older obligations become, the more difficult they are to collect. The analysis suggests that an intensive collection effort applied to borrowers before they are more than 3 months in arrears could reduce amounts which may end up as unrecoverable. Supporting this conclusion is the project director's observation that many borrowers who are starting to fall in arrears resume scheduled repayment when pressure is applied.

The project's direction deserves praise for the emphasis placed

on loan collection. If the target beneficiaries (borrowers) find that collection effort is slack, the news will spread like a virus that "nothing serious happens to borrowers who don't repay." This evaluation team believes that intensive collection is a prerequisite to project sustainability.

During Phase II, via analysis of arrears and client behavior, a collection strategy selected to maximize repayment should be developed. This strategy should be incorporate a schedule for when and how to intensify collection efforts.

3. Loan Portfolio Accounting

A revolving fund of loans disbursed at 12% per annum interest on unpaid loan balances should generate revenue equal to 12% of each year's average outstanding portfolio.

Example of a typical portfolio accounting and projection technique:

Assume that \$400,000 of loans disbursed prior to the year being accounted is uncollected, and therefore, outstanding at the beginning of the year, and that \$600,000 of new loans have been disbursed evenly, say \$150,000 per quarter, during the year. Assume also that all principal recovered during the year was used to finance new lending. In addition, estimate that, based on past experience, 10% of all principal loaned out will be uncollectible, i.e. that there will be a 10% bad debt experience.

The loan portfolio accounting format incorporating the foregoing assumptions and would be as follows:

ILLUSTRATIVE LOAN PORTFOLIO ACCOUNTING

1. Outstanding portfolio at beginning of year	\$400,000
2. New lending during the year	600,000
3. Unrecoverable principal estimated at 10% of new lending	< 60,000 >

Subtotal: 1 + 2 - 3 =	940,000
4. Principal recovered during the year	300,000
5. Recovered principal relent during the year	< 300,000 >

6. Outstanding portfolio at end of year	940,000
7. Average outstanding portfolio during the year: (1 + 6) divided by 2	670,000
8. Anticipated interest revenue: 12% of 7	\$ 80,400

The foregoing format can be a projection or a record of portfolio performance when actual figures are used instead of estimates.

The above portfolio accounting system provides the authority managing the loan portfolio with essential information, such as:

- * The amount of additional financing required to continue the rate of new lending: in the illustrative portfolio \$300,000 of recovered principal will have to be supplemented by \$100,000 of additional loan capital in order to finance the \$400,000 of new loans.
- * The average outstanding portfolio is the revolving fund's production machinery, because interest is earned according to it. Therefore, revolving fund management can compute the size portfolio necessary to generate enough income to cover lending costs.
- * The ability to ascertain portfolio performance monthly, quarterly, or annually. The shorter the time period, the more accurate will be the projection.
- * How much bad debt reserve funding will be required to prevent portfolio attrition.

4. Loan Portfolio Performance

To simplify comprehension and comparison, figures in the following discussion of VITA/PEP's loan portfolio performance have been changed from FCFA to dollars, and rounded to the nearest \$100.

VITA/PEP's loan portfolio has grown steadily for the last 5 calendar years from \$91,200 at the beginning of 1985 to \$1,167,500 at the end of 1989. The average outstanding portfolio during the 5 year period, 1985 through 1989, has been approximately \$337,000. Interest earned over that 5 year period should have been 12% of \$337,000 x 5 years, or approximately \$202,200.

Actual interest collected over the 5 year period totals only \$91,591 which means that the project's real interest revenue has been approximately 5.4% per annum of the funds outstanding instead of 12% per annum (See Annex 1).

One reason for the shortfall in portfolio revenue is that interest has been collected on the basis of a loan contract computation which assumed that all principal repayments would be according to a schedule agreed upon in advance by the borrower. Twenty per cent of the borrowers did not repay on time, and many

repaid as much as 6 - 12 months late. This resulted in a major portion of VITA/PEP's portfolio being outstanding, but not earning interest.

In addition, because interest collected in the project's start-up years was an insignificant amount in relation to project cost, a decision was made to leave interest collected in the revolving loan fund and to consider it a funded reserve to offset uncollectible principal. This decision had the effect of concealing the fact that interest revenue was below what a true 12% per annum on unpaid balance should have been. That may be the reason that the previous audits and evaluations did not identify, and deal with VITA/PEP's low interest revenue problem.

In July, 1988, VITA/PEP adopted a computerized interest and principal repayment program enabling the Credit Division to compute interest due on a daily basis, and to charge borrowers interest a true 12% per annum on all principal outstanding (See Annex 2). This improvement in the accuracy of interest computation will increase interest revenue; it will not bring interest revenue up to what it should be until all those loans disbursed prior to adoption of the new system have been repaid.

The recommendation of this evaluation is that interest collected should be credited to a VITA/PEP operating revenue account, and should not be left in the revolving loan fund. There are two primary reasons for this recommendation:

1. The comparison between interest revenue and loan operation costs is a vital indicator with which to assess progress toward viable institutionalization.
2. In the future, if the VITA/PEP project has an experience similar to other small enterprise credit projects, it will be easier for VITA/PEP to attract additional loan funds than to attract operating funds.

Additional recommendations:

- ♦ Revise loan contracts to read "the borrower agrees to pay 12% per annum interest on all outstanding balance." Show the interest calculation as an "illustrative calculation" based on the assumption that all repayments are on schedule.
- ♦ When the borrower and guarantor sign the loan contract, make sure they both understand that late payment is costly in additional interest due for every day the payment is late.
- ♦ Consider revising the VITA/PEP guarantee policy. Instead of requiring guarantors that guarantors have "means", which sometimes creates collection problems, substitute a peer

pressure guarantee system. ORT's success with peer pressure to encourage repayment indicates that it fits the Chadian situation.

- ♦ Continue to let problem borrowers unofficially off the hook if they repay all principal due, when in VITA's judgement attempting to collect interest due may delay, or jeopardize, any recovery at all from that borrower.

5. Recommended VITA/PEP Accounts

During Phase II an effort was made to separate "banking costs" from operating costs related to the delivery of training and technical assistance to project beneficiaries (i.e. loan clients). This evaluation team does not regard that breakdown as useful in projecting and evaluating Phase III, and possibly a Phase IV.

On the premise that the institution, whether Chadian or other, will be there to promote the small and micro sector, i.e. the highest risk sector, the evaluation team believes that technical assistance and advisory services to clients will be an element of operating cost for the foreseeable future. Overseas Technical Assistance, i.e. institutional support cost, is the category which may be gradually reduced and eventually phased out. In order to facilitate project performance measurement, loan funds, capital equipment acquisitions, and revenue, should be separate project accounts.

Hence in the financial projections for a Phase III, and a possible Phase IV, the evaluation team uses the following cost and revenue categories:

1. Technical Assistance for institutional support, for the most part provided by overseas personnel and consultants; this category is subject to gradual phase out.
2. Operating Costs which include technical assistance to clients as well as "banking", or loan administration costs; this is the category which the evaluation team considers will be part and parcel of the institution's operating cost for the foreseeable future.
3. Capital Equipment acquisition: actual purchase price should be accounted separately in a capital account. Depreciation, and maintenance and repair, should be included in operating costs.
4. Loan funds: in theory, these should revolve and need to be increased when the capacity of the institution increases indicating that a larger number of loans can be disbursed

per annum and a larger total portfolio managed successfully. Loan funds also need to be increased from time to time to avoid portfolio attrition caused by unrecoverable principal which may eventually be written off.

When the institution has a sufficiently long, and good, track record, loan funds can be borrowed from development banks at long-term, low interest, rates (say a 20 year loan at 3% per annum) and used to on-lend to the borrowing institution's clients at, for example, 14% per annum. Then the institution earns interest only equal to the spread between 14% and 3%. This is one reason the development banks insist that money they provide, should be on-lent at commercial interest rates. They make grants to start small enterprise credit projects; but they expect after the initial grant to lend to the project.

5. Interest and service fees collected from clients should be removed from the loan portfolio and credited to a revenue account. In the final analysis, the comparison between revenue collected and operating cost determines the institution's progress toward sustainability, and eventual auto-sufficiency. It should be stated, however, that true auto-sufficiency is not a realistic goal for an institution making high risk loans to small and micro-enterprises. If it were a realistic goal, commercial banks would have been engaged in that kind of lending loan ago.

A more realistic goal is to reach an equilibrium where by an annual government subvention plus contributions from large enterprise cover the deficit financing required for the institution to break even.

Using the major cost, capital investment, and revenue accounts recommended above will enable the project to compute its net worth accurately, and project its future financial results with reasonable assurance.

E. APPROPRIATENESS OF TARGET CLIENTS

There is need for a private sector census, including data on the informal sector (i.e. micro-enterprises) by sub-sectors such as construction, transportation, clothing manufacturing, food processing, wood working, metal working, retail trading, etc.. Without such information, the evaluators can only estimate the demand for VITA/PEP's credit and related advisory services.

In the Ministry of Planning, there is a Bureau of statistics which has surveyed 300 registered enterprises (including a mix of private and parastatal) and an additional 435 enterprises, all private, which are classified as "non-structures" meaning they are not officially registered with the "Direction de la Statistique." Using a "rough guess" type of assessment, it can be surmised that there are 55,000 persons engaged in micro-entrepreneurial activity, mostly in the major market areas of N'Djamena. If, as in similar countries, the average micro-enterprise occupies the full time of 2.5 persons, it could be extrapolated that there are 22,000 micro-enterprises in N'Djamena.

Estimated number of micro-enterprises in N'Djamena

Population of N'Djamena (50,000 families):	500,000 people
Work age population (40%)	200,000
Unemployed (25% of work age population)	< 50,000 >

Sub total	150,000
Women fully engaged in homemaking (1 per family)	< 50,000 >

Sub total (gainfully employed)	100,000

Salary and wage earners

GOC, salaried	25,000	
300 large société's, salaried	12,900	
GOC & Société's casual labor	5,000	
435 enterprises not in designated Arrondissement markets (average 5 employees each)	2,175	

Sub total (salary and wage earners)		<45,075>

Self employed (rounded figure)		55,000
Assume 2.5 persons per micro-enterprise		
Estimated number of micro-enterprises		22,000

There is no doubt that the market for VITA/PEP services in N'Djamena, and in Chad, is small. In order to achieve its lending objectives, VITA/PEP has to lend to nearly all applicants that can show credit-worthiness, or the potential to become credit-worthy.

VITA/PEP's Total Market

The estimated total number of enterprises which could be described as VITA/PEP's market for credit and training and advisory services is as follows:

- * 247 relatively large private companies which could become clients for VITA/PEP and commercial bank co-financing
- * 435 enterprises occupying permanent premises outside of central markets
- * 22,000 micro-enterprises, mostly located in and around central markets

Based on the Bureau of Statistics survey, VITA/PEP's market by sub-sector is estimated as follows:

Larger than micro

Commerce	50%	342 enterprises
Fabrication (manufacture)	20%	136 "
Service (all types)	20%	136 "
Agri-related (processing, production)	10%	68 "

Micro-enterprises

Breakdown unknown 22,000

Total VITA/PEP market 22,682 enterprises

VITA/PEP's lending to the sub-sectors compares with bureau of statistics estimated sub-sector breakdown as follows:

Bureau of Statistics Estimated Sub-sector Breakdown by number of enterprises		VITA/PEP	
		No.of loans	Am't.loaned
-----		-----	-----
Commerce	50%	17%	26%
Fabricating	20%	20%	11%
Service	20%	50%	58%
Agri-related	10%	13%	5%

VITA/PEP's lending conforms to the projects' development promotion objectives and to good portfolio management criteria; however, it must be emphasized that the small size of the market for VITA/PEP loans, and the project's ambitious share-of-market objective, preclude selectivity and force the project to lend in proportion to the size of each sub-sector.

The sample of VITA/PEP clients visited by the evaluation team, observation of credit officers in application review meetings, and interviews concerning loan criteria indicated that potential development impact, both direct and indirect via linkages, is a primary client selection criterion.

For example, a transport association which takes responsibility for organizing independent truckers to fulfill produce, raw material, and equipment hauling contracts received a VITA/PEP loan, and advisory services, to increase the capacity and efficiency of its operation. More efficient goods and equipment transport throughout Chad reduces one of the most often cited major development constraints. This loan is classified as a service sub-sector loan and might be considered low priority if the purpose and impact were not known.

A small loan to an agricultural cooperative outside of N'Djamena city was found by the evaluation team to have a beneficial impact on the quality of nutrition for 970 individuals in the families of the cooperative members, and an even greater number who buy and consume the cooperative's produce.

A VITA/PEP client retailing vehicle parts might be classified as marginally developmental, until it became known that the enterprise specializes in filling large orders of difficult to obtain truck and agricultural machinery spare parts. In order to perform this essential function, the Chadian retailer has a network of collaborating parts dealers in Cameroon and Nigeria whose stocks he can draw on to supply emergency needs in Chad.

In conclusion, the evaluation team considers VITA/PEP's existing clients, and targeted clients, to be appropriate in terms of private sector promotion and developmental impact.

F. ECONOMIC IMPACT OF THE PROJECT

VITA's proposal for Phase II anticipated a high rate of return for the project and recognized that it would be necessary to demonstrate, fairly specifically, the economic benefits that would result. The proposal referred to other small enterprise loan projects which generated net economic returns of 100% to 800%, leaving the impression that VITA/PEP might be in that range. In its proposal, VITA referred to an AID 1985 comparative study, titled, "Search for Benefits" which could provide the formula for an economic benefits study of VITA/PEP/Chad. This study suggested that:

- ♦ Early generation of benefits can be achieved by tapping into the structure of an already existing lending agency and getting loan funds into the economy as quickly as possible. Since this has been the VITA/PEP policy and since Phase II was built on an existing institution created under Phase I, a positive rate of return should have been anticipated.
- ♦ Projects that avoid lending to retailers have a higher positive economic impact. Lending to retailers creates few backward linkages to other firms which is critical to benefit generation. Borrowers under Phase II were all to be involved in the production of tangible goods, which creates linkages with other firms. As it turned out, approximately 7% of VITA/PEP's loans were to retailers and 28% to service businesses. Most of the service and retail loans were carefully selected for impact potential or portfolio management objective achievement.
- ♦ Small business loans generate opportunities for commercializing excess production and labor capacity. Chad has substantial under- and unemployment. The project achieves a high return in employment creation. While the average VITA loan has been between \$7,500-\$8,000, a reasonable percent were loans of \$3000 and under.
- ♦ Benefit generation depends on the financial performance of the participating firms. Good loans require:
 - * timely loan disbursements
 - * repayment schedules tied to realistic cashflow
 - * strong business management and planning advice
 - * flexible loan rescheduling

Since VITA's loan management procedures during Phase II satisfied many of these criteria, VITA loans can be said to have been successful in terms of benefit impact.

- ♦ VITA/PEP participant enterprises have also been positively beneficial because they were chosen for their ability to:

- * produce scarce goods
- * generate high profit activity
- * operate more efficiently than the competition

Overall, VITA has attempted to maximize the social, financial, and economic benefits possible in Chad through assistance to the private sector. Other criteria for measuring success include:

- * increased income
- * increased employment
- * increased production
- * backward linkages
- * consumer gain
- * new employment generated
- * underemployment removed
- * new firms established
- * existing firms expanded
- * improved standard of living of the entrepreneur and his family
- * additional family members supported
- * efficiency and decreased cost of enterprise operations
- * increased participation of women in the economy
- * level of entrepreneur training and sophistication of the business and its management

What has VITA/PEP done and what has been the impact of the project? We have two ways to come to some determination of economic impact: first, are the VITA records on client employment generation, and second, are case studies of individual clients from which generalizations can be made about the VITA/PEP portfolio. The following table summarizes additional employment created in enterprises aided by VITA/PEP during Phase II.

	No.Loans by Subsector	Full Time	Family	Seasonal	Total
Agriculture	11	29	99*	34	162
Services	40	231	-	-	231
Manufacturing	16	38	-	-	38
Trade	13	32	-	-	32
Traditional Rural	52	-	52	-	52
Non-tradit Indust	4	38	-	15	53
Total	136	368	151	49	568

* Mostly in one Agricultural Cooperative

VITA has therefore created a total of 568 jobs over 3 years. During the same time, external grants to VITA/PEP totaled \$1,894,000 or an average cost of \$3,335 per job created. This cost per job created will constantly decline, because the jobs created are cumulative, whereas the project financing remains fixed. If we assume the average Chadian earns this amount in two years, direct costs of the project are returned to the economy after two years and the direct social benefits begin to be positive in the third year.

But indirect benefits must also be taken into account. We estimate these to be at least equal to direct benefits over the long term. We can say, therefore, that overall social benefits begin to be positive in the second year - and continue on into the future.

What are some of these indirect benefits? We can recount what we have seen for the clients we have visited. For example:

College Jean Paul Sartre

There is a proposed second loan to a private secondary school to construct a new building. While a public education system exists, the schools are overcrowded, teaching materials are minimal, and students and teachers receive little supervision. There is therefore a need for private schools and, apparently, there are a number of Chadians with sufficient resources who are willing to pay a moderate tuition to send their children to the school. College Jean Paul Sartre had an enrollment of 145 students in 1987, 223 in 1988, 286 in 1989 and anticipates over 400 for 1990. Eighteen teachers plus 8 support staff earn their living from the school.

While the school estimates that 2 - 3 additional teachers will be needed to staff the larger school, the increased earning capacity of a graduate could approach \$100,000 in a lifetime. The saving to the budget of the Ministry of Education must also be included since, at present, 400 students per year are being educated without any cost to the Government.

Ali Youssouf Mahamat, Small Manufacturer of Shoes

This client is a typical small entrepreneur with a 200 square foot shop in a main market area producing and selling shoes. His loan was for \$7,000 to be repaid over 18 months with a two months grace period. The loan was to purchase machinery and some working capital to buy leather and other material. He has 5 full time employees plus 3 apprentices. He was able to hire 3 of his full time employees as a result of the VITA loan. He is a solid, hardworking, small entrepreneur who plans to apply for another loan from VITA when this one is paid off. One can say that this

loan created 2 full time jobs, plus creating the opportunity for 3 other people to learn a new trade and, later, become full time employees, or entrepreneurs themselves. In this case, it would appear that the loan will be fully paid off without loss of capital, interest will be earned to help offset operating costs and 2 - 4 new jobs will have been created. Social benefits include work for suppliers, and reduced cost for better quality shoes.

Dogo Hassan, Sugar Trader

A short-term \$20,000 loan was made to this trader so that he could increase his stock and his volume of sugar sales. In this case, no new employment was created and no social benefits can be determined. Indeed, the trader said he used to borrow from the commercial banks but their interest rate was too high and their administrative actions were too time consuming and costly. A direct benefit accrued only to the merchant. This loan is clearly non-developmental, and substituting VITA credit for bank credit.

Is such a loan justified? The simple answer would be no. On the other hand, it can be justified in terms of VITA's internal portfolio management. Money not working is not creating interest income for VITA. If, at any given time, excess funds exist, credit institutions can use their funds and make loans that are easy to administer and are risk free. This circumstance did exist at the time the loan was made.

Tolkoi Nodjissane, Tailored-to-Order and Ready-Made Clothing

This client has already received 3 VITA loans, has made application for a 4th and has asked why VITA can't increase the amount of its loans. He runs a busy little workshop, humming with activity, that spills over into a covered stall in the street. He provides work for 7 people - himself, 3 paid workers, 2 unpaid children and 1 apprentice who pays him to learn how to be a tailor. Before he obtained his first loan, his business consisted only of himself, one paid worker and one son. Four additional people are therefore benefitting from the ability of this small enterprise to secure credit through VITA/PEP. The direct and indirect benefits are similar to that described for the shoe manufacturer, above.

A number of points can be raised as a result of the evaluation team's visit to this client. It is clear that this client was an energetic, entrepreneur who is seeking to expand as rapidly as possible. VITA seemed to be taking a very cautious approach to this client. While we have no basis for commenting on this particular case, we wonder if VITA could not take greater risks and be more aggressive in supporting such clients. Greater risk could, of course, lead to losses, but they could also lead to greater benefit.

G. STATUS AND PROSPECTS FOR INSTITUTIONALIZATION

1. Understanding to Date

In the context of this project, at the time of this evaluation, the term institutionalization had the following meaning and implications:

- ♦ The project should be under the control of a local entity such as a non-profit "association" or NGO with Chadian legal status, in keeping with local laws and regulations and should be part of the local social, business and financial structure.
- ♦ There should be a Chadian Advisory Board, or Council, responsible for formulation of policy, monitoring performance, protecting association assets, and providing the authority and support to ensure organizational independence.
- ♦ There should be a Chadian Director, or General Manager, responsible for day-to-day operations and for directing an objective loan decision making process.
- ♦ The organization should have a structure that would lead toward sustainability, permitting gradual reduction of dependency on outside sources of funding. This assumes a demand for credit and a level of loan activity such that interest and fees would offset operating costs and the loan recovery rate would permit long term maintenance of the revolving loan fund.
- ♦ The organization should have a sufficient number of qualified staff, internal operating procedures, and client selection criteria, to carry out effective and cost efficient lending and recovery.

This "common understanding" of institutionalization was constructed during interviews. It does not show up in any one piece of paper, it does not have all the details worked out, and it is not accepted by all personnel associated with the project.

2. Institutionalization Under Phase I

Institutionalization as described above was not a prime consideration in the original project proposal prepared by VITA in 1983. The original project was to have been a two year effort to provide technical, financial, and management assistance "to entrepreneurs who are prepared to re-launch, expand, and/or start

small businesses." It was to be in support of USAID's refugee resettlement program rather than being a more traditional development project. The original VITA Proposal devoted considerable space to the loan management system and to interest rates. Little attention was given to identifying and assisting a Chadian institution to take over the program. The evaluation of this first phase of VITA/PEP by Chris Mock had little to say about institutionalization. Almost as an afterthought, Mock suggested that, at the end of a second phase, it was expected that the expatriate staff would depart and the project would become an independent Chadian institution, or be absorbed by an existing local institution.

3. Institutionalization Under Phase II

VITA's September 1986 proposal for a Phase II project was more explicit on this subject. It stated that the project's purpose would be achieved by identifying and evaluating a feasible institutionalization program. This project purpose would be accomplished, inter alia, by creating a workplan to institutionalize the on-going credit program into the Chadian financial system. VITA offered to research various options over the first six months of Phase II and to present a detailed workplan conceptualizing the turnover plan chosen. VITA estimated that six months would be needed to establish and develop the necessary public and private contacts.

In its proposal for Phase II, VITA wrote that it looked on institutionalization of the project as an important aspect of not only the immediate objective of the VITA project in Chad, but also the future development of other supervised credit programs in Africa. If the VITA/PEP project could demonstrate that supervised credit programs in Africa are able to be incorporated into existing systems within the host countries, the project would serve as a model for similar programs elsewhere in Africa.

As a project issue, VITA noted that there was no local institution that could then absorb all PEP loan activities after the VITA/PEP program ended. Only two commercial banks were functioning and those could not offer the same project services to small and medium size entrepreneurs. Chad also did not have an indigenous development bank that could offer credit at the then current project levels. VITA suggested that five options be considered:

- ♦ Institutionalize the project, with its Chadian staff, loan portfolio and other assets as a Chadian development organization with a Chadian Director and minimal funding from USAID and/or other donors.

- ♦ Have one of the two commercial banks continue the project with USAID and/or other donors separately funding the supervised loan program from the bank's commercial portfolio.
- ♦ Transform the current VITA/PEP project and assets into a more formalized national development bank with some sort of donor funding.
- ♦ Curtail current project activities and have one of the commercial banks manage the existing project assets and loan portfolio for the Government of Chad until complete phase-out is financially warranted.
- ♦ Close down the project when USAID funds terminate.

AID's Cooperative Agreement for Phase II, signed on September 8, 1987 required that before November 30, 1987, VITA should submit for USAID/Chad's approval a plan for the institutionalization of the program. The Cooperative Agreement instructed that the plan should include a detailed discussion of VITA's approach to institutionalizing the existing program, with Chadian staff who will be able to continue to deliver credit and supporting services on a minimum recurrent cost subsidy basis.

Recognizing that extensive planning and negotiating would be inherent in preparing such a plan, USAID/Chad offered to provide supplemental assistance and support to VITA as might be necessary. This could include consultation with USAID/Chad and the provision of specialized consultant services.

4. VITA's Institutionalization Plan

A VITA/PEP Institutionalization Plan was prepared by VITA, in November/December 1987. Several options were considered in an attempt to identify the most efficient means of integrating the project into the Chadian economic environment "without reducing its impact on the business community." These options were essentially the same as those suggested in VITA's September 1986 Project Proposal. That is:

- * assimilation by a commercial bank;
- * association with a Government of Chad structure such as a resurrected National Development Bank; or
- * creation of a national NGO having largely identical organizational objectives as VITA/PEP.

VITA's comments on each of the three options may be summarized, as follows:

- a. Assimilation by a Commercial Bank - Both commercial banks, BIAT, and BTCD, have taken on the responsibility of assisting in the subsidy of the major Chad parastatals and have limited capital for other types of credit activities. The banks do not have additional subsidies to provide supervised credit to VITA/PEP-type private sector clients. Because the labor intensive nature of supervised credit is a high cost operation, the commercial banks would not want to take upon themselves the added burden of this operational subsidy. VITA's paper observed that there was no indication that the situation would change in the near future so that this option was not considered feasible.
- b. Association with the Chadian Development Bank (CDB) - There has been a great deal of discussion concerning the reopening of the CDB which, conceptually, has objectives similar to the VITA/PEP project. However, the draft paper said that the loan levels by the CDB would be considerably higher than any PEP could consider on a regular basis without facing decapitalization in the short term. In any event, plans to reopen the CDB are still in the discussion stage (that was the case in 1987 and still is in 1990) which makes this an impractical option for the foreseeable future.
- c. Creation of a Chadian NGO - The paper indicated a number of advantages which made this an attractive option. First, given that the NGO could be organized along the lines of the existing project, PEP's institutional strengths could be used to best advantage. The paper considered PEP's advantages to include established and tested standards, trained personnel, systems and procedures, logistical assets, and its reputation as a businesslike and competent source of credit and technical/management assistance. VITA's draft paper also indicated that the NGO's organizational flexibility would permit whatever transitional phases may be required for maximizing effectiveness and continuity. This included access to a wider variety of funding sources, input from outside managers, a broader range of target sectors, and the organizational independence to make objective decisions concerning target sectors and operations.

Considering the Chadian NGO option as acceptable, the draft paper made the following points and suggested approaches to the turnover:

- ♦ In the initial phase, the General Manager should be a trained expatriate provided by VITA. S/he would provide leadership and continuity, adapting the current system and procedures to needs and conditions of the new NGO. S/he would provide the arms-length relationship between the NGO management and prospective clients while the organization

became established. As the organization became more stable, the role would become that of the senior advisor to the Chadian General Manager, who will be trained beforehand.

- ♦ There would be an Advisory Board, or Council, responsible for the formulation of policy, monitoring of performance, and insuring appropriate management. Members of the Board would include representatives from the two commercial banks, Ministries of Plan and Finance, representatives of funding organizations including VITA, and representatives of the Chadian private sector.
- ♦ Explicit legal procedures for the establishment of a Chadian NGO do not exist. There are documents dating from 1962 which concern the formation of certain categories of "associations," but it is probable that by establishing a new NGO the project would break new ground. VITA's contacts with the GOC indicated that the Government would view the transition favorably. Vita estimated that it would take a minimum of six months to arrange for such NGO status.
- ♦ The draft paper suggested the timing for transition to the new status should be February 1989 - February 1993.

5. USAID's Response to VITA/PEP's Institutionalization Plan

We have seen a February 8, 1988 letter to USAID/Chad from VITA/PEP indicating that USAID had received the "turnover plan" during the 4th Quarter of 1987. In a March 15, 1988 letter from USAID/Chad there is a request to meet with VITA/PEP to discuss the draft plan and the January 1988 evaluation by Ray Malley, which contained one section on institutionalization. There was nothing in Malley's evaluation that was not already included in the draft plan. The evaluation did note, on page 33, that all of the moves toward institutionalization were agreed upon between VITA and USAID during discussions in which he participated while doing the evaluation.

The understanding of the evaluation team is that in March, 1988, when discussion of institutionalization got underway, there was also at that time a crisis. VITA/PEP lending was so reduced as to put the whole project rationale in question. Evaluators were told that USAID requested VITA/PEP to postpone institutionalization planning and to concentrate on demonstrating that the project could become sufficiently viable to warrant institutionalization.

6. Analysis of the Present Situation

During interviews in February/March, 1990, by the evaluation team, all contacts accepted that a credit program for micro,

- small and medium private enterprises was essential for Chadian development. Every contact let it be known that the VITA/PEP was the only professionally run private enterprise credit program in Chad. Chadians, including senior Government officials, senior officials at the two commercial banks and senior officials at one of the parastatals stated that the VITA/PEP project filled an important niche, was not in competition with other financial institutions, but instead, increased the base of private sector activities which might later come to the commercial banks for larger loans.

- Most persons stated that institutionalization should take place. Most agreed that the most serious option among those already noted was to create a Chadian NGO. The form, direction, structure, mandate, and status, of the NGO was an open question with numerous options. Other options were also raised such as promotion of indigenous, self financing credit unions to be financed and managed by associations of sub-sector entrepreneurs with common credit needs; an institution that might become part owner in local enterprises by taking equity positions rather than lending to the enterprise; and a mutual association that would accept deposits from present or potential loan clients.

- Many of these same people had some reservations. Everyone insisted that the NGO, in whatever form, should be private and absolutely independent of government bureaucracy and influence. This view was offered by people both in and outside of government. Most agree that the government is slow, made up of fonctionnaires "concerned with salaries and job security" and not with operations such as the private sector. A number of references were made to the Chamber of Commerce and OPIT (Office for Industrial Promotion in Chad). While both organizations have a mandate to support and develop the private sector, neither one functions because each is managed by civil servants under the direction of a government Ministry.

Many interviewees felt that it would be difficult for a Chadian Director to withstand pressure from Chadian officials for favored treatment, hiring of relatives, funding of personal or non-productive loans, and granting bad loans that could not be collected through the judicial system. Some went so far as to say that the Director's position could be life-threatening if it were filled by a Chadian. Many respondents, therefore, suggested delays in the time of turnover to a Chadian Director or some way to protect him from this pressure. Others felt this fear of political pressure was overstated. As it turned out, those on the "lower" end of the socio-economic scale were concerned with such pressure while Chadians at the "upper" level said that the pressure could be withstood. "You must be tough and it will work out," one said. But even he recognized that a major effort would be needed to create this new attitude. He felt that the VITA/PEP program could be very helpful in this regard.

7. Recommendations by the Evaluation Team

The evaluation team recognizes the difficult issues raised by the question of institutionalization and Chadianization. We understand, rather than are critical of, AID and VITA for delays in coming to resolution of this question. The evaluation team has spent more time deliberating this than any other question. We have some considered recommendations.

- ♦ This private sector, supervised credit program has two objectives - a short term objective to assist individual private enterprises and a long term objective to create a local credit institution to deliver such credit. The project has focused on the short term objective up to now and should be delighted with its successes.

The project should now be prepared to take the more difficult steps to institutionalize the delivery system so that the project will remain in place after the foreign donors have left. As a first step, it is essential that the program come under the direction of a Chadian General Manager, as quickly as possible, but no later than midway through Phase III, provided he has had an adequate period of indoctrination and training. Chadianization should not be put off.

- ♦ The Chadian General Manager will need protection from local pressure. For Phase III, the Chadian General Manager should be hired by, and be responsible to, VITA/Virginia. This will require greater involvement by VITA/Virginia for increased training, direction, and support which will need to be given to the local General Manager. VITA/Virginia should also provide a technical advisor to work with the General Manager for 24-30 months. We emphasize that this person should be an advisor and not the Deputy. Further Chadianization must wait for a Phase IV.
- ♦ A greater effort must be made to introduce the concept of a private business sector into the Chadian economy. Part of this thinking must include basic concepts that permit a market economy to function. These include the concept of contract and that individual entrepreneurs have a personal responsibility to meet the terms and conditions of contracts. Also included would be the acceptance of the rule of law, that agreements not met can be taken to the judicial system for settlement. People must be sensitized to the necessity for business loans provided from public funds to be productive and profitable and that they must be repaid.

- ♦ A "private sector council" should be established. This would be an advisory body that provides a link between VITA/PEP and the private sector. It would suggest areas in which VITA/PEP might more aggressively seek new clients. It would participate in public discussions on the role and purpose of VITA and business credit. It would not have any direct responsibility for the operation of VITA/PEP. The council would not approve loans but would help set the policy on loan criteria. These would be honorific positions, without salary, but for which operating costs would be covered by VITA/PEP. If public attitudes are changed during Phase III, there could be further institutionalization in Phase IV.
- ♦ Institutionalization of VITA/PEP requires greater attention to staff development and training and attention to entrepreneur training. We recommend that a large portion of the potential UNDP contribution be used for this purpose.

We believe that institutionalization is a proper development policy. It is a part of the paradigm of international development thinking that, in the long run, donors should complete their work by establishing local institutions and leave. Success is achieved when foreign aid is no longer needed. The other part of the paradigm is that local people feel the same way. In Chad the second part of the paradigm, at this time, does not seem to be a driving force. Nationalism is not very strong. The linkage or interest of the "average" Chadian to his government is not very clear. Some effort will be necessary, therefore, to bring Chadians to accept the formula.

H. FUTURE FUNDING OF THE VITA/PEP PROGRAM

1. Overall Future Approach

A supervised credit program for micro, small and medium sized private enterprise is an important complement to USAID/Chad's country development strategy. Such a program will help stimulate economic demand and provide new employment opportunities and should, therefore, continue to receive AID funding. Earlier sections of this evaluation analyzed the efficiency and effectiveness of present loan operations and made suggestions on how these might be improved in the future. Loan policy issues have been considered as well as the important question of institutionalization and recommendations have been made on these. A final issue is how much funding USAID should provide to the effort in the future and under what terms and conditions.

If USAID approves continuation of this project it must be prepared to make a reasonably long term commitment. The original idea of a two year project was not well considered. Phasing the project to achieve quantifiable objectives is appropriate. A ten year overall time frame is not too long a period to incorporate new private sector attitudes into an economy, train VITA/PEP staff in depth, and create a local credit institution with demonstrated experience to justify its decisions. For purposes of analysis and presentation we accept the proposition that VITA/PEP, Phase III, will be a three year effort. This, however, assumes a Phase IV program with a presently indeterminate size or duration.

2. Relationship to other PVOs

We recommend that AID consider breaking out this effort from the PVO Development Initiatives Project. The PVO Project was developed in a prior time for a different purpose. Project 0051 carries with it shorter term, relief, famine, and agricultural objectives which are not in harmony with this longer term, enterprise, credit program. The proposed addition of yet another PVO (ACDI) concerned with agricultural marketing exacerbates the problem. There are special Congressional and AID/W requirements and attitudes toward PVO projects which detract from the substantive purpose of this project. There are unique issues of integration, coordination, and management, when five PVOs are included under one umbrella. A reading of the September 25, 1989, Inspector General's Audit is sufficient to demonstrate this point. A separate project will present USAID/Chad with a different set of problems. But these should be the new basis for the project's future.

3. Assistance to the Agriculture Sector

The relationship of the project to agriculture presents a special problem. As we have noted in other parts of this evaluation one of the reasons for high operating costs is that VITA/PEP may be working in too many areas. Each area requires a certain level of technical skill. We have already recommended that greater effort be made by VITA - both from local resources and through backstopping from VITA/Virginia - to provide this technical support. However, when we discuss the operating and technical assistance budget we must ask how much additional technical assistance can be supported, particularly in agriculture.

There used to be a three person agricultural unit in VITA/PEP. Many of the agricultural loans received technical assistance from this agricultural unit. In the interest of economy this unit was reduced to only one loan officer/agronomist. Since this is insufficient to support a major effort to increase agricultural productivity, USAID may wish to have VITA drop agriculture as a priority sector. There is a middle position which might also be considered. If we make a distinction between agricultural production and animal husbandry, on the one hand, from small pre- and post- agricultural related business such as servicing agricultural equipment and processing agricultural commodities, VITA might still be associated with the latter. In the latter activities the enterprises are concerned with issues of business management and technology, rather than agronomy and technical agricultural questions. Assistance in the former (crop financing) area can be left to other components of the USAID/Chad PVO support program.

4. Size of Loans and Cost Minimization

It has been proposed during Phase III to substantially increase the number of micro-loans, particularly if VITA accepts the \$500,000 being considered by the World Bank. From a development point of view, the evaluation team strongly supports this new approach. It must be recognized, however, that micro-loan clients will require a greater effort by VITA/PEP to find, to help develop, to monitor, and to follow-up. These additional efforts will require additional financing. Their costs should be included by VITA in its Phase III budget proposal as legitimate costs of development promotion and assistance accepted by AID as a condition of the new effort, and taken into account by future inspectors and evaluators.

5. Clarifying Cost Distribution

A clarified functional distribution of revenues and expenditures is needed to help understand the efficiency and effectiveness of VITA/PEP. Separating local operating costs from external technical assistance, and separating both of these essentially operating costs from the capital investment in the revolving loan fund is essential for VITA to make management decisions and to help AID and other donors make considered judgments on future funding. Interest, application processing fees, and follow up assistance fees, should all be revenue offsetting local operating cost. Loan principal repayments should, as now, be credited to the revolving fund. The rate and amount of loan principal recovery is needed to determine how rapidly the revolving fund revolves, how much, and when, additional loan fund capital will be needed to support the project's lending and recovery pattern. A judgement should be made annually as to the amount of the outstanding loan portfolio which is likely to become unrecoverable (i.e. the amount to reserve for bad debt). A decision as to whether to replenish the revolving loan fund (i.e. to fund the bad debt reserve) will depend on the availability of money and the rate of lending (i.e. do we need to add money to the revolving loan fund in order to support the project's rate of new lending?).

VITA estimates that all project funds, for all purposes, will be fully disbursed approximately by June 30, 1990. The only certain inflow between now and that time will be recovered loan principal and collected interest revenue. July, 1, '90, is the estimated time that new resources will be needed to cover future Overseas Technical Assistance and Local Operating costs, and possibly also Capital Equipment Acquisitions and Revolving Loan Fund replenishment.

6. Revolving Loan Fund

What additional funds should be provided by USAID for the revolving loan fund? The factors that would go into this calculation should include:

- * anticipated demand for new loans, as an upper limit;
- * AID policy considerations that affect this limit;
- * an estimate of the size and number of loans, within this upper limit, that the VITA institution can reasonably process;
- * an estimate of interest income required to cover operating costs;
- * principal recovery as the first input to meet the demand;
- * funds provided by other donors as another input to meet the demand;

- * the gap in demand reasonably expected to be covered by AID, consonant with anticipated fund availability.

Since few of the hard numbers are readily available to put into the calculation, a less objective analysis has to be used. Section E of this evaluation analyzes the potential demand for credit in terms of numbers of formal and informal micro, small and medium enterprise. This number approaches 23,000 enterprises. A 10% share of the market (2,300 clients) would be something of an upper limit of clients, over time. This number does not take into consideration disasters, such as political disturbance, or drought, which might reduce the market for credit, or a bonanza like petroleum exploitation, which might increase economic activity.

Over the past 66 months an average of between 3.5 and 4.0 loans per month were approved and disbursed in response to demand. Assuming about the same level of demand, and a moderate increase in workload efficiency of the existing VITA/PEP organization, we recommend a future target of 60-80 new loans disbursed per year into the foreseeable future.

Continuing the average loan size of \$7,500-\$8,000 over the same period, (taking into account both larger co-financed and smaller micro-loans) VITA/PEP could disburse \$450,000-\$500,000 in new loans each year during Phase III. As VITA/PEP becomes more efficient and skilled, this base could be exceeded in a planned manner. We emphasize that this figure is for new loans, not new money. Other sections of this evaluation discuss alternate sources of funding. As other donors become interested in the project, additional amounts can be added, again in a planned manner, from other external sources; USAID might be able to reduce its level of financing, or extend it over a longer period of time. For planning purposes for Phase III, we recommend USAID base its onward funding on the projection that VITA/PEP will disburse \$1,500,000 of new loans over the next three year period.

7. Local Operating Costs

What additional funds will be needed to cover local operating costs over the Phase III period? Local operating costs cover technical assistance to clients as well as loan administration costs. The evaluation team considers that those two types of cost are inseparable and will be part of the institution's Local Operating Cost for the foreseeable future. The PEP project will have to cover these costs, in the future, when the project is fully Chadianized. These calculations set aside consideration of potential changes in the basic mode of project operations. For example, some time in the future, the PEP project may wish to consider opening a venture capital window which takes equity in local enterprises. It may also wish to develop a program which

encourages savings on the part of present or future clients.

Operating cost for VITA over the next 3 years should cover the office in N'Djamena plus the new office to be opened in Moundou, as requested by the World Bank and UNDP for the partial use of the funds that they might provide. The operating budget should also cover two additional loan officers presently planned to spearhead the micro-loan program.

An attempt has been made by VITA/PEP to estimate how much of loan officer time is spent on technical assistance and training of small entrepreneurs. This amount, presently estimated at 70%, has been charged to technical assistance rather than to operations. While this calculation reduces the cost of operations it will, later, have to be covered by operating costs. Realistically, therefore, on the premise that this credit institution will remain in place to promote small and micro enterprises which is a high cost category, all loan officer time should be charged to operations. The purchase price of equipment should be accounted separately in a capital account. Depreciation, maintenance and repair should be included in operating costs.

Interest and service fees collected from clients should be removed from the loan portfolio and credited to a revenue account. In the final analysis, the comparison between revenue collected and operating cost determines the institution's progress toward financial sustainability. It should be stated, however, that true self-sufficiency is not a realistic goal for an institution making high risk loans to small and micro-enterprises. If it were a realistic goal, commercial banks would engage in that kind of lending. A more realistic goal is to reach an equilibrium whereby an annual government or donor grant will cover a reasonable deficit justified by the institution's development impact and by the economic return which in this kind of project outweighs the cost of a moderate annual subsidy.

Based on the above guidelines, VITA/PEP will have to prepare the exact details in its proposal for Phase III. An estimate, in US Dollars, over 3 years, is as follows:

-Local Staff/N'Djamena	\$ 740,000
-Rent-N'Djamena	78,000
-Equipment	50,000
-Local Staff Travel	18,000
-Promotional Activities	20,000
-Operations and Maintenance	130,000
-Other (Ins., Communication, Attorney Fees)	<u>124,000</u>
Subtotal - N'Djamena	1,160,000
-Moundou Office (4 People)	<u>200,000</u>
Total - 3 years	1,360,000

An anticipated contribution by the UNDP/UNIDO must be taken into account in determining the funds USAID should provide for local operations. UNDP plans to contribute \$200,000 to the project now and perhaps another \$200,000 later. UNDP funds can be used for operating, technical assistance, or loan fund purposes. We understand the UNDP has some interest in the Moundou office. We suggest, that if the World Bank does make its contribution and the Moundou office is established, that operating costs for that office be covered by the UNDP contribution. Any amount left over could be used for project- wide technical assistance.

We understand that USAID wishes to have its funds used primarily for technical assistance and operations. We assume USAID is taking this position so that it can monitor project management and that, for audit purposes, it will be easier to trace where and how U.S. funds were used. While we understand these desires, we note that too tight a control over the project and too strict a limitation on the use of U.S. funds contradicts two other AID goals, namely institutionalization and leveraging of other donor funds. Limiting the range of decision making by the new Chadian Director and his staff will not permit them to take credit for their success and to learn from their mistakes. Too many restrictions on the use of funds could upset the balance between new lending and technical assistance to borrowers. We therefore urge that USAID provide general guidelines to VITA/PEP in the Project Agreement for Phase III rather than requiring rigid adherence to funding budget line items.

8. Technical Assistance

How much should AID provide for technical assistance? In the interest of institutionalization and achieving sustainability under a business oriented enterprise scheme we should not forget that Chad is one of the poorest, least developed, environmentally and human resource poor, countries in the world. If technical assistance has any meaning and justification, it is to assist countries like Chad. We are not referring to subsidies or hand-holding. To achieve self-determination in Chad, however, will require substantial assistance, by highly professional development experts, over a relatively long period of time.

For Phase III, we recommend at least the following technical assistance:

- ♦ A replacement senior advisor be provided by VITA for at least 2 years to assist the VITA provided, Chadian Director and to work with the "advisory council" to help network with the government, as well as business community, on private enterprise topics;

- ♦ A Training Officer experienced in micro and small enterprise management be assigned for two years to:
 - * develop and teach programs for VITA staff;
 - * prepare material and teach courses to small entrepreneurs on all aspects of small enterprise development;
- ♦ Sufficient funding for the Training Officer to carry out training programs;
- ♦ A substantially increased level of consultants to assist small entrepreneurs on hard technology and business management topics.

An estimate of need for the three years of Phase III would be:

-Senior Advisor-Salary, Fringe and Support Costs	\$ 300,000
-Training Officer-Salary, Fringe and Support	280,000
-Training Funds	100,000
-Technical Consultants	200,000
-VITA Contract Overhead, Audit and Evaluation	510,000
-Total	<u>1,390,000</u>

9. Summary of New Funding Requirement

An overall financial summary for Phase III, therefore, would be in the following range:

Expenditures/Outlays	Range	
	Low	High
New Lending	\$ 1,500,000	\$ 1,500,000
Local Operations	1,160,000	1,360,000*
Technical Assistance	1,190,000	1,390,000**
	<hr/>	<hr/>
Total	\$ 3,850,000	\$ 4,250,000
Revenues/Inflow		
Loan Capital Recovery	\$ 900,000	\$ 900,000
Interest and Service Fees	438,000	438,000
UNDP/ILO	200,000	400,000
World Bank	0	500,000
	<hr/>	<hr/>
Total	\$ 1,538,000	\$ 2,238,000
USAID-Phase III	<hr/>	<hr/>
	2,312,000	2,012,000
	<hr/>	<hr/>
Total	\$ 3,850,000	\$ 4,250,000

* includes Moundou

** includes Training Officer

ANNEXES

ANNEX 1

VITA/PEP Loan Portfolio and Lending Cost Analysis

	1984	1985	1986	1987	1988	1989
Loan Portfolio at beginning of period	0	91,206	382,156	510,613	591,101	714,791
New Lending during period	91,206	290,950	128,457	80,488	123,690	452,735
Sub-total	91,206	382,156	510,613	591,101	714,791	1,167,526
Principal recovered and relent	1,003	55,875	103,147	131,827	116,214	190,318
Bad debt res. financing	132	8,934	15,785	23,429	21,593	21,904
Loan portfolio at end of period	91,206	382,156	510,613	591,101	714,791	1,167,526
Average loan portfolio	45,603	236,681	446,385	550,857	652,946	941,159
Interest earned	132	8,934	15,785	23,429	21,593	21,904
Interest credited to loan portfolio	(132)	(8,934)	(15,785)	(23,429)	(21,593)	(21,904)
<u>Project operating costs</u>						
USAID Grant	183,248	378,881	397,395	418,496	332,016	317,743
RISAX I Grant			55,865	125,353	12,879	1,335
RISAX II Grant				117,637	312,690	240,330
USA/Africa Grant (local expenditures)				2,476	47,329	3,561
Deficit financing	183,248	378,881	453,260	663,962	704,914	562,969
Project Costs as % of loan volume	201%	130%	353%	825%	570%	124%
Project Cost to loan out one US\$	\$2.01	\$1.30	\$3.53	\$8.25	\$5.70	\$1.24

Totals for the Life of Project

Lending	1,167,526
Principal Recovered and Relent	598,384

Project Operating Costs

USAID Grant	2,027,779
RISAX I Grant	195,432
RISAX II Grant	670,657
USA/Africa Grant (local expenditures)	53,366
Deficit Financing	2,947,234
Project Costs as % of loan volume	252%
Project Cost to loan out one US\$	\$2.52

ANNEX 2METHODE DE CALCUL DES INTERETS

Pour expliquer la méthode de calcul des intérêts nous utiliserons l'exemple I.

Le tableau est composé de sept (7) colonnes.

- 1°) Dates : La 1ère date inscrite correspond à la date de déblocage du capital. Les autres dates correspondent normalement aux échéances tombées généralement en fin de mois.
- 2°) Amortissement du capital : Cette colonne correspond aux remboursements du capital prêté.
- 3°) Solde du capital : correspond au capital restant à rembourser.
- 4°) Nombre de jours : C'est le nombre de jours à courir d'une échéance à une autre.
- 5°) Nombres : Correspond au produit de la colonne solde du capital par la colonne nombres de jours.
- 6°) Intérêts : Correspond aux intérêts courus sur le solde du capital jusqu'à la prochaine date d'amortissement du capital.
- 7°) Echéances : Représentent les remboursements du capital plus les intérêts.

Revenons à l'exemple I

Au 31 Décembre 1988, 1.000.000 FCFA sont déblocués. A cette date le solde du capital est toujours de 1.000.000 FCFA. Le nombre de jours devant courir entre cette date et le 31 Janvier 1989 est de 31 jours.

Pour trouver le nombre on procède de la façon suivante :

$$1.000.000 \text{ FCFA} \times 31 \text{ jours} = 31.000.000$$

Les intérêts sont calculés selon la formule suivante :

$$\text{Intérêts} = \frac{N \times t}{360 \times 100}$$

ou $t = \text{taux d'intérêts}$

$N = \text{nombre de jours} \times \text{solde du capital.}$

360 correspond aux nombres de jours de l'année commerciale.

$$\text{Dans notre exemple : Intérêts} = \frac{31.000.000 \times 12}{36.000} = 10.333 \text{ FCFA.}$$

Au 31 Janvier 1989, le solde du capital est toujours de 1.000.000 FCFA car il n'y a pas eu amortissement du capital en raison du différé.

Le nombre de jours devant courir entre cette date et le 28 Février 1989 est de 28 jours.

Nombre = 1.000.000 FCFA X 28 = 28.000.000

Intérêts : $\frac{28.000.000 \times 12}{36.000} = 9.333 \text{ FCFA.}$

Le reste du tableau est établi de la même manière.

Méthode de calcul des échéances

1°) La première échéance correspond à la somme des intérêts ayant couru depuis le déblocage du fonds jusqu'au premier remboursement plus l'amortissement du capital.

Dans notre exemple nous avons :

31/12/88	10.333	FCFA	
31/01/89	+	9.333	FCFA
28/02/89	+	10.333	FCFA
31/03/89	+	9.000	FCFA
	=	38.999	FCFA
	+	100.000	FCFA
	=	138.999	FCFA

intérêts
amortissement du capital
1ère échéance.

2°) La dernière échéance est toujours égale au dernier amortissement du capital.

3°) Pour le calcul des échéances comprises entre la première et la dernière, les intérêts sont sommés par groupe de cinq (5), puis on calcule la moyenne. Cette moyenne est arrondie et ajoutée à chaque amortissement du capital, ce qui donne les échéances.

Dans notre exemple :

30/04/89	8.267	FCFA	
31/05/89	+	7.000	FCFA
31/06/89	+	6.200	FCFA
31/07/89	+	5.167	FCFA
	+	4.000	FCFA
	=	30.634	FCFA

: somme des intérêts des cinq (5) mois.

$\frac{30.634}{5}$	FCFA	= 6.126,8	FCFA : Moyenne
6.500	FCFA		: Moyenne arrondie
+100.000	FCFA		: Amortissement du capital
106.500	FCFA		: Echéance

4°) Le reliquat des intérêts résultant des arrondis seront pris en compte dans le calcul du dernier groupe de cinq (5) échéances.

5°) Le total de la colonne Echéance correspond au capital prêté plus les intérêts.

ANNEX 3

SCOPE OF WORK: PRIVATE ENTERPRISE DEVELOPMENT PROJECT-CHAD

A. Purpose

The purpose of this consultancy is to conduct a final evaluation of the Private Enterprise Development Project; the project was implemented by VITA as a subproject under the PVO Development Initiatives Project. USAID/N'Djamena will use the evaluation to determine the appropriateness of any follow-on assistance to VITA and the form it should take. The evaluation team will consist of two people: one under contract to Ernst & Young and another under contract to VITA. The consultant to Ernst & Young will be the team leader and will report directly to USAID/ N'Djamena.

B. Background

The Cooperative Agreement to support VITA's Private Enterprise Promotion Project in Chad was signed Sept. 8, 1987. Originally set to run until February 24, 1989, the project has been extended until June 30, 1990. No funds have been added to the original \$1,200,000 committed to the project. The purpose of the program is "to enhance private sector productivity by (a) providing both urban and rural small and medium enterprises with credit, management, and other technical assistance, and market information and (b) incorporating the established supervised credit program into the Chadian financial system through the selection and implementation of an appropriate turnover mechanism."

C. Tasks

1. Review all project documents, such as the Project Paper, the Project Agreement, and the Cooperative Agreement with VITA and related reports and evaluations.
2. Interview VITA staff and clients, conduct site visits to gain insight into the workings of the organization. Interview representatives of the Chadian financial, public, and private sectors in order to understand the operating climate for the project.
3. Evaluate the performance of the project in meeting the goal, purpose, and objectives, as stated in the proposal.
4. Analyze the project's lending operations, including loan approval process, risk assessment, approval criteria, loan repayment rates, collection procedures, and costs of operations.

5. Analyze the effectiveness of the technical assistance (TA) provided to borrowers, the role that TA plays in determining client performance, and the costs of the TA.

6. Analyze the prospects for institutionalizing the project so that at least the lending activities could become self-sustaining.

7. Examine external factors such as the interest rate ceiling, macroeconomic performance, and business climate that affect project performance.

8. Determine the appropriateness of target clientele by considering their absolute numbers, financial status, gender, and the costs associated with serving the group.

9. Determine the project's economic returns including new employment, start-up of new businesses, and expansion of existing concerns.

10. Make recommendations regarding future funding of the VITA-implemented credit programs and the shape that such a program might take.

D. Reports and Deliverables

At the end of the third day in the field, the consultant will submit a work plan to USAID. The consultant shall meet weekly with the Program Economist and the Project Development Officer to brief them on progress. After 22 to 23 working days in Chad, the consultant shall produce a complete draft of the report. A review meeting will be held with the AID Representative on approximately the 26th day of the consultancy. The consultant will revise the report and provide a final de-briefing to the AID Representative before leaving Chad.

ANNEX 4

WORK PLAN, VITA/PEP FINAL EVALUATION TEAM

2/15/90 - 2/17/90

Thurs. 2/15: team arrived N'Djamena 6 pm.

- met and conferred with R. Reitemeier, VITA/PEP Dir.
- Conferred w/ Paul Morris, USAID/N'Djamena Project Officer.
- Completed immigration and police processing.
- Collected relevant documents.
- Met briefly w/ Leslie Pean, World Bank.

2/19/90 - 2/24/90: First week

- Confer w/VITA Ag. Loan Officer (vacation interrupted for purpose of availability to evaluators).
- Confer w/ORT and World Bank re Phase III collaboration. Start loan performance analysis re Phase III.
- Attend VITA/PEP credit committee meetings to observe.
- Review documents.
- Visit U.S. Embassy Chief of Mission.
- Confer w/GOC Ministry of Planning.
- Confer w/local SRFMP rep.

2/21 at 8:00 am: Meet with USAID Director and others to present work plan.

2/26/90 - 3/03/90: Second week

- Conduct loan recovery analysis.
- Visit participating commercial banks.
- Visit cross section of N'Djamena clients w/loan officers.
- Confer w/relevant UNDP and World Bank personnel re Phase III planning.
- Start draft of Phase II financial performance evaluation.

3/1 and 3/2: Possible field trip to Moundou or other rural area (trip to be discussed w/AID re transport budget, etc.).

3/05/90 - 3/10/90: Third week

- Draft evaluation.

3/9: Present draft evaluation to USAID and VITA. Obtain their input.

3/11: Evaluation team member, Irving Rosenthal, departs.

3/12/90 - 3/17/90: Fourth week

- Revise draft incorporating USAID and VITA input.

3/19: Present final draft to USAID and VITA.

3/21: Evaluation team member, George Butler, departs.

3/22/90 - 3/31/90: Fourth week

- 10 copies of final evaluation prepared by Ernst and Young in USA and sent via DHL to USAID/N'Djamena.

Note: After review of this plan, it was agreed that the evaluation team would meet weekly with the USAID Project Officer to report progress and discuss issues.

ANNEX 5

LIST OF CONTACTS AND INTERVIEWS

American Embassy

Hon. Julius Walker, Ambassador

USAID/N'Djamena

Bernie Wilder, AID Representative to Chad

Paul Morris, Program Economist

Samir Zogby, Human Resources Development Officer and PVO Coordinator

William Deese, Project Development Officer

Kurt Fuller, Agriculture and Rural Development Officer

Angelique Stringfellow, Training Officer

VITA American Staff

Henry Norman, President, VITA/Washington

Robert J. Reitemeier, Director, VITA/PEP, Chad

Vicki Tsiliopoulos, Program Coordinator, VITA/Virginia

VITA/PEP local staff

Yondailaou gue Tolloum, Administrator

N'Deikounda Nermian Jacob, Accountant

Amadou Bakary, Recovery Officer

Abakka Alhadji Moustapha Lopa, Loan Officer

Passang Leyabe, Loan Officer

Sow Haroun, Loan Officer (Agronomist)

Konate Bamba, Loan Officer

N'Dog-Nan Nodjikod, Secretary

Mme. Mariam Abdoulaye, Receptionist

Blah Djimrebeye, Secretary

International Organizations

Emmanuel Dierckx de Casterle, Coordonnateur Resident, Nations Unis, N'Djamena

Francoise Dellanoy, Human Resources Development Officer for Chad,
World Bank, Washington

Leslie Pean, Economist, World Bank, Washington

Etienne Baranshamaje, World Bank, Washington

Ian Stuart McCarthy, Economist, West Africa Department,
International Monetary Fund, Washington

AID/Washington

Peter Cody, Chad Desk Officer, AID/AFR

Tara Guildea, Small Enterprise Consultant, AID/AFR/MDI

Yvonne John, Officer in Charge, Chad, AID

Ken Swanberg, Agro-business Specialist, AID/AFR/MDI

Ray Malley, Consultant, AID/AFR/MDI

PVO's/Chad

Guy Stallworthy, Director of Agriculture, Care/Chad

Bill Stringfellow, Director, ORT

Joe Kennedy, Director of Operations, AFRICARE

VITA/PEP Clients

Djeguedbe, Egg Production

Abbatog, Vegetable Production

Drep, Fruit and Vegetable Production

Barbi, Milk Production

Djimot Ousman, President, Village of Garba Cooperative

Masobongar Mbaiba, Secretary, " "

Haroum Ousmanie, Secretary, " "

Dogo Hassane, Trader in Sugar

Nodjissane Tolkoï, Tailor

Mme Ndohoko, Dressmaker

Oudah Dephallah, Medical Laboratory

Ali Youssouf, Shoemaker

Abderamane Dana, Trader in Automobile Spare Parts

S.Koulamallah, Director, GETRANS, Transportation Broker

M.N. Salah, Accountant, GETRANS

Bishara Natar, Proprietor, Decortech

Baba Samato, Proprietor, Ecole Jean Paul Sartre

Caisse de Cooperation Team

Dominique Logeais, Caisse Staff Member, Paris

Jean Pierre, Caisse/Chad

Robert Dhonte, Consultant, Axe

Anne Fourmaintraux, Support Staff

Government of Chad Officials

Issa Ngarmbassa, Ministry of Plan, Office of NGO Cooperation

Hassana Abakoura, SPONG

Mahamat Rahmat Saleh, Administrateur Civil, Secretaire General,
Chambre Consulaire du Tchad

Dingamyo Mbao, Chef de la Division des Relations Publiques et de
la Documentaion, Chambre Consulaire du Tchad

Rone Beyem Ngakoutou, Chef de Division de la Comptabilite
Nationale et de la Conjonture, Ministere de Plan et de la
Cooperation

Danzoumbe Pafoumi, Chef de Service des Nomenclatures, Ministere
du Plan et de la Cooperation

Ali Bechir, 1er Adjoint au Mairie de N'Djamena

Nodjundoroum Isaac, Chef de Service Urbain d'Hygiene, Mairie de
N'Djamena

Banks

Mahamat Farris, Directeur Generale, Banque Tchadienne de Credit
et de Depots

Kebba Wouado Evariste, Directeur de l'Exploitation, Banque
Tchadienne de Credit et de Depots

Mrangaye Yemrebaye, Directeur Credits, Banque Internationale pour
l'Afrique au Tchad

Central Bank

Adam Madji, Directeur National

Djimadoum Mandekor, Chef de Service des Etudes

Others/Chad

Silvia Torres, Macro-economist, Ministry of Plan, Government of Chad (UNICEF)

Bambe Dansala, Director General, COTONCHAD

ANNEX 6

Relevant Remarks Excerpted from Interviews

"GOC is not in private sector development mode, it is oriented more to a policy of levying taxes from the private sector than to creating money making entities."

"If the capital structure of the Chadian Credit Institution created by VITA is private, it is not too difficult to fend off pressure and retain control."

"The pressure problem is usually created by the Chadian director himself, in an effort to increase his own influence, he invites pressure and becomes the victim of his own ambition."

"Ministry of Justice cooperation on loan recovery is good because that Ministry is non-political."

"In selecting a Chadian director, it might be wise to train two eligible Chadians, then make the best one Director and the other one Credit Manager."

"UNDP has a mandate to work through existing NGOs (PVOs) and to create new national (Chadian) GNOs."

"UNDP wants to support VITA and wants VITA to continue what it is doing now without change. It is perhaps the one successful operation going in Chad."

"For the Chamber of Commerce (Chambre Consulaire) to become effectively involved in Small Enterprise Promotion and entrepreneur training etc., it would have to be removed from government and be completely overhauled."

"Creating a Chadian, non-profit, institution to promote small and micro-enterprise via training, and the provision of interest bearing loans, would have to be looked into from a legal point of view. There may not be any GOC statute covering the licensing of such an institution. Even with general agreement it could take a long time."

"An institution entitled OPIT was established to promote private sector investment in feasible projects. After 2 years and \$600,000 of expenditure, there has been no result because the approach is too bureaucratic."

"There is need for an appropriate technology workshop which can produce block presses, hand pumps, agricultural produce traider, and which can stock parts for, and repair. agricultural machinery and equipment. More and more projects are dependant on mechanized and hand operated pumps, devices, and equipment."

"We believe that when the Chadian Development Bank is rehabilitated, it will be an agricultural credit institution."

"Micro-business is plentiful. It is what people do in Chad to survive. To engage in some kind of micro business is a national "tendence."

"If VITA applies to become a national (Chadian) NGO, it will have to present a more clear definition of its role, scope of activity, and limitations."

"Some representatives of the business community perceive, VITA to be a profit making bank, hiding behind a title implying that it is a development assistance agency. They say that VITA's tendency to harass clients when they are slow to repay confirms this perception."

"VITA loans to privately owned schools and training institutions to finance equipment purchases and operating costs have had surprisingly good results in term of repayment experience and development impact. Chadians invest willingly in their children's education."

"VITA lends to one trader who wholesales sugar, farine, and vegetable oil. He doesn't really need VITA credit, but loans to him are short-term and repaid on schedule. Therefore he helps us keep the loan portfolio revolving and earning interest."

"The GOC doesn't want to borrow money to finance studies. It wants borrowed money to finance projects which procedure hard GOC income. Therefore the GOC is looking more closely at what NGOs plan to do with international lending institution funds going to NGOs "a travers" the GOC."

"In July 1990, a World Bank funded metal working and mechanical training center will be equipped, staffed and opened in N'Djamena to provide technical support to all project."

ANNEX 7

BIBLIOGRAPHY

1. Promoting the Private Sector: An Evaluation of the VITA Small Business Assistance Project in Chad, Christopher Mock, November 26, 1986.
2. Promoting Small and Medium-Sized Business in Chad: The Vita Private Enterprise Project, An Evaluation, Raymond Malley, January 1988.
3. Credit et Autres Sources de Financement du Secteur Informel au Tchad et Particulierement dans la Region de N'Djamena, Djongali Louahikba Yerolbe and Yondailou gue Tolloum, Sept. 1989.
4. Chad Private Enterprise Development Project, Proposal Submitted to USAID/N'Djamena, VITA, December 21, 1983.
5. Private Enterprise Promotion in Chad, Proposal Submitted to USAID/N'Djamena, VITA, September, 1986.
6. Etude sur le Project D'Entreprises Privees Realisee par VITA, Robert Dhonte, Groupe de Recherche et D'Echanges Technologique, 18 Aout 1989.
7. Plan D'Orientation, Options de Developpement, Republique du Tchad, Ministere du Plan et de la Cooperation, Decembre, 1989.
8. Program Rationale, Chad, FY 1989 to FY 1994, USAID/N'Djamena, September, 1988.
9. Mid-Term Evaluation, Chad PVO Development Initiatives Project (677-0051), USAID/N'Djamena, William Brooke Stallsmith, et. al. May, 1988.
10. Audit of Private and Voluntary Organizations Activities in Chad, Audit Report No. 7-677-89-11, USAID, Office of the Inspector General for West Africa, Abidjan, September 25, 1989.
11. FY 1990 Annual Budget Submission, USAID/Chad.
12. Concept Paper, Phase III, VITA/PEP, November 1989.
13. Justification Intervention VITA au Tchad, Soumis par VITA/PEP au Ministere du Plan et de la Cooperation, Robert J. Reitemeier and Yondailou gue Tolloum, 31 Decembre, 1989.
14. Action Memorandum for the Assistant Administrator for Africa; Chad - PVO Development Initiatives Project (677-0051), AFR/PD, Norman Cohen, May, 1985.

15. Cooperative Agreement, No. AFR-A-0051-00-7058-00, AID, Office of Procurement, Overseas Division, Africa, September 8, 1987.
16. Design and Management of Credit Projects for Small and Medium Scale Enterprises, Guidelines for Working with Commercial Financial Institutions, AID/W. Bureau of for Private Enterprise, November, 1988.
17. Quarterly Progress Reports, VITA/PEP/Chad.
18. Various Loan Analyses, including breakdown of loan applications received, analysis of project costs per dollar lent and of other financial performance indicators, VITA/PEP/Chad.
19. Various Correspondence and Memoranda between VITA/PEP and USAID/ Chad and Government of Chad on such topics as VITA/PEP Staffing, Export Project, USAID/World Bank Co-financing, Project Cost Reduction, Micro-enterprise Methodology'
20. Staff Appraisal Report, Republic of Chad, Social Development Action Project, Population and Human Resource Operations Division, World Bank, Sahelian Department, August, 1989.
21. Tchad, Developpement du Secteur Prive, Evaluation du Potential et des Contraintes, World Bank, Dept. du Sahel, Division de L'Energie, Mars, 1989.
22. Enquete Legere sur les Conditions de Vie des Menages a N'Djamena, Republique de Tchad, Ministere du Plan et de la Cooperation, Mars., Avril 1988.
23. Comptes Economique, 1983-1989, Republique du Tchad, Ministere du Plan et de la Cooperation, Direction de la Statistic, des Etudes Economiques et Demographiques, Mars, 1989.
24. Le Secteur Informel a N'Djamena, Kemal Hamida and Chris Gerry, OXFAM, Juin, 1988,
25. Micro-enterprise Promotion in the Social Development Action Program for Chad, Chris Gerry, December, 1989.
26. Working Papers on the Urban Informal Sector in the Sahel, World Bank, Infrastructure Dept, February, 1989.
27. Annuaire des Societes Industrielles et Commerciales du Tchad, Agriculture-Elevage-Commerce-Industrie-Atelier-Petrole -Travaux Publics-Batiments-Services, Chambre Consulaire du Tchad, Edition 1987-1988.
28. Recensement des Entreprises Industrielles et Commerciales du Tchad, Republique du Tchad, Chambre Consulaire du Tchad, 1989, 2e Edition.

29. Series of Business Investment Proposals, Organization pour la Promotion du Industries,
30. Shortlist Letter, Subject: Invitation to Bid on PADS Training Center, World Bank to ORT, GRET, etc.
31. Chad, Economic Situation and Priorities, VITA, Oct.26. 1987.
32. Compte Rendu de la Table Ronde; Participation de l'Entreprise Privee au Developpement Economique et Social, UNDP/Chad, Oct. 1988.
33. Assistance a l'Office de Promotion Industrielle du Chad; Rapport de Fin de Mission de M. Caudal Robert, PNUD/ONUDI, CHD/83/028, Feb., 1989.
34. Bid for an Appropriate Technology Consultant, Republique du Tchad, Ministere du Plan et de la Cooperation, Dec., 1989.
35. Malawi Informal Sector Assessment, Development Alternatives, Inc., September, 1989.
36. Micro-enterprise Promotion, in the World Bank Social Development Action Program for Chad, Chris Gerry, Center for Development Studies, University College of Swansea, Dec.. 1988.
37. AID, NGOs and GOC: Growing Pains and Tribulations, Internal reporting memo to the files, Samir Zagby, General Development Officer, USAID/N'Djamena, April 10, 1989.